

Function 370: Commerce and Housing Credit

Function 370 includes the following: deposit insurance and financial regulatory agencies; the mortgage credit programs of the Department of Housing and Urban Development (HUD); the Department of Commerce's Census Bureau, business promotion programs, and technology development programs; rural housing loans; Small Business Administration business loans; the Postal Service; and other regulatory agencies such as the Federal Communications Commission.

Under the conference agreement on the Republican budget resolution, appropriated funding for Function 370 drops to \$2.6 billion for 2001, a decrease of \$4.3 billion from the 2000 enacted level. Although the Republican plan does not explain this sharp decrease, it most likely reflects the culmination of the 2000 census. After backing out the cost of the census, however, the 2001 funding level is still \$1.3 billion (33 percent) below the level required to maintain current purchasing power. For years 2002 to 2005, the appropriated funding levels for this function represent cuts in purchasing power of at least 20 percent, not counting the reduced cost of the Census Bureau. The Republican plan makes no net changes to mandatory spending for this function.

- **Comparison with the House Resolution** — For 2001 appropriations, the conference agreement provides \$2.6 billion, \$100 million less than in the House resolution. Over 2001-2005, the conference agreement provides \$14.8 billion for appropriations, \$200 million less than in the House resolution. In both versions of the resolution, mandatory spending for this function is equal to projected spending under current law.
- **Small Business Programs at Risk** — The cuts in appropriated funding for this function could translate into a massive scale-back of the loan programs of the Small Business Administration (SBA). For example, a 33 percent cut in SBA's business loan programs would mean a decrease of \$5.9 billion in the value of business loans guaranteed by the agency.
- **Federal Housing Administration** — Each year, the Federal Housing Administration (FHA) insures the mortgages of over 1.2 million households, about 80 percent of them first-time home buyers. While cuts to appropriated funding in this function do not directly affect the number of mortgages that FHA can insure, they do apply to FHA's operating budget. A 33 percent cut would translate to a \$162 million cut in the agency's operating budget, which would seriously jeopardize the agency's ability to meet the demand for its mortgage insurance products.
- **Rural Housing Loans** — A 33 percent cut to the Department of Agriculture's program for rural housing loans would mean \$490 million less in direct loans and \$1.3 billion less in guaranteed loans. This would decrease the availability of affordable housing for low-income families in rural areas.